

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON,  
JOHNSTON AND NORTHWESTERN  
RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TDD #: 222-2726  
FAX #: 222-3973

Department of Mental Health, Retardation and Hospitals

Mental Health Services of Cranston, Johnston  
and Northwestern Rhode Island, Inc.

REPORT ON CONTRACT COMPLIANCE

Fiscal Years Ended June 30, 1999 and 1998

EXECUTIVE SUMMARY

The prior audit report for Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., issued January 13, 1999 by the Bureau of Audits, cited 6 recommendations of which 3 were complied with.

Based on our contract compliance engagement for the fiscal years ended June 30, 1999 and 1998 we determined the following:

1. The Center in its matching program submitted \$34,747 in non-matchable revenue for matching in subsequent years.
2. There were unauthorized excessive budget line item variances in the Community Support and Related Services Program.
3. Independent audit reports did not verify matchable funds as required by State of R.I. General Laws and Departmental Regulations.
4. Deficiencies were noted in the management of the Representative Payee Program.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY .....	i
TRANSMITTAL LETTER .....	1
SCOPE AND PURPOSE .....	2
BACKGROUND .....	3
AUDITOR'S OPINION .....	4
FINANCIAL INFORMATION:	
Statement of Revenues and Expenses	
Exhibit A: Fiscal Year Ended June 30, 1999 .....	5
Exhibit B: Fiscal Year Ended June 30, 1998 .....	6
Exhibit C: Statement of Operations - Title XIX Program .....	7
Exhibit D: Determination of Over (Under) Payment of State Matching Funds .....	8
Notes to Financial Information .....	9
SUPPLEMENTAL INFORMATION:	
Schedule of Matchable and Nonmatchable Revenues .....	10
FINDINGS AND RECOMMENDATIONS	
Status of Prior Audit Recommendations-June 30, 1997 .....	11
Current Year Findings and Recommendations .....	13



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TDD #: 222-2726  
FAX #: 222-3973

August 8, 2000

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an audit of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., for the fiscal years ended June 30, 1999, and 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the Director of the Department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

SCOPE AND PURPOSE

The purpose of this audit was to determine compliance with your department's Rules, Regulation and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2001 and 2000;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 1516 Atwood Avenue, Johnston, Rhode Island.

The Center owns residential property at 1974 Atwood Avenue, Johnston, housing adolescent clients of the Center. In addition, the Center owns Woodland Estates located on Hartford Avenue, Johnston, consisting of six condominium units being used for the Center's supervised adult client apartment program.

On July 1, 1995 the Center and its affiliate MHS Properties, Inc., became affiliates of Gateway Healthcare, Inc., a nonprofit regional corporation.

The Center is governed by a board of directors consisting of no less than 15 and no more than 21 individuals elected at each annual meeting. The board is presently comprised of 18 members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TDD #: 222-2726  
FAX #: 222-3973

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:


We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1999 and 1998, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of instances of noncompliance with the Community Support, Residential and Acute Alternatives Services Contract with the Center for the fiscal years 1999 and 1998; and instances of noncompliance with provisions of MHRH's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers for fiscal years 1999 and 1998. Further deficiencies were noted with management of client funds. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
January 27, 1999

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATEMENT OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 38,240	91,799	-	-	130,039
DCYF	-	-	403,120	-	403,120
Substance Abuse	-	108,972	-	-	108,972
Title XIX Medicaid	-	-	-	7,499,573	7,499,573
Municipalities	66,273	66,274	-	-	132,547
Contributions	-	15,285	11,077	-	26,362
Third Party Reimbursements	(40,424)	1,322	(475)	-	(39,577)
Program Fees	100,373	19,945	12,074	-	132,392
Other Grants and Contracts	90,052	-	-	-	90,052
Rental Income	164,920	-	-	-	164,920
Total Revenues	\$ 419,434	303,597	425,796	7,499,573	8,648,400
<u>Expenses</u>					
Personnel	3,945,001	173,554	1,423,341	-	5,541,896
Operating	2,066,784	79,961	737,730	-	2,884,475
Purchased Equipment	21,548	-	141,006	-	162,554
Total Expenses	\$ 6,033,333	253,515	2,302,077	-	8,588,925
<u>Other Financing Sources (Uses):</u>					
Interfund Transfer - Title XIX-Medicaid	5,587,312	23,513	1,888,748	(7,499,573)	-
Excess (Deficiency) of Revenues over Expenses	\$ (26,587)	73,595	12,467	-	59,475

See accompanying notes to financial information.

:SP-27A.wk1



DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATEMENT OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDED JUNE 30, 1998

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 353,210	124,647	-	-	477,857
MHSIP Grant	10,000	-	-	-	10,000
DCYF	-	-	355,950	-	355,950
Substance Abuse	-	106,457	-	-	106,457
Other Grants and Contracts	1,600	-	-	-	1,600
Title XIX Medicaid	-	-	-	6,338,092	6,338,092
Hud Subsidy	-	-	56,396	-	56,396
Municipalities	124,254	7,612	-	-	131,866
Contributions	-	5,326	-	-	5,326
Third Party Reimbursements	149,420	275,507	33,683	-	458,610
Program Fees	176,212	27,233	41,348	-	244,793
Rental Income	191,850	-	-	-	191,850
Interest	-	534	-	-	534
Total Revenues	<u>1,006,546</u>	<u>547,316</u>	<u>487,377</u>	<u>6,338,092</u>	<u>8,379,331</u>
<u>Expenses</u>					
Personnel	3,730,413	564,164	1,158,048	-	5,452,625
Operating	2,077,351	266,581	622,144	-	2,966,076
Purchased Equipment	<u>46,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,032</u>
Total Expenses	<u>5,853,796</u>	<u>830,745</u>	<u>1,780,192</u>	<u>-</u>	<u>8,464,733</u>
<u>Other Financing Sources (Uses):</u>					
Interfund Transfer-Title XIX-Medicaid	<u>4,825,303</u>	<u>31,327</u>	<u>1,481,462</u>	<u>(6,338,092)</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenses	\$ <u>(21,947)</u>	<u>(252,102)</u>	<u>188,647</u>	<u>-</u>	<u>(85,402)</u>

See accompanying notes to financial information.

:SP-27B.wk1

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>Beginning Balance</u>	\$ 0	0
Revenues Received Designated for Programs	<u>7,499,573</u>	<u>6,338,092</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	5,587,312	4,825,303
General Outpatient Adult Services	23,513	31,327
Other Programs	<u>1,888,748</u>	<u>1,481,462</u>
Total Applied	<u>7,499,573</u>	<u>6,338,092</u>
Ending Balance	\$ <u>0</u>	<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATE MATCHING PROGRAM  
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS  
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	FISCAL YEAR ENDED JUNE 30			
	1999		1998	
<u>State Funds Allocated:</u>				
Adult General Outpatient Service	\$	91,799		134,325
Community Support, Residential and Acute Alternatives		<u>91,799</u>	<u>183,598</u>	<u>268,650</u>
Matchable Revenues - Fiscal Years Ended June 30, 1996 and 1995		<u>144,946</u>		<u>139,277</u>
<u>Determination of Over (Under) Payment of State Funds:</u>				
State Funds Allocated (Note 2)		183,598		268,650
Deduct Lesser of:				
(a) Applicable Percentage of Matchable Revenues		183,598		268,650
(b) State Funds Allocated		183,598		268,650
Maximum Support - Lesser of A or B (Note 3)		<u>183,598</u>		<u>268,650</u>
Over (Under) Payment of State Matching Funds		<u>0</u>		<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 126.667% of the matchable revenue for fiscal year ended June 30, 1997 and 192.889% of the matchable revenue for fiscal year ended June 30, 1996.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATE MATCHING PROGRAM  
 SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES  
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	FISCAL YEAR ENDED JUNE 30	
	1999	1998
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 91,799	124,647
Community Support , Residential & Acute Alternatives	<u>(106,706)</u>	<u>213,933</u>
Total State Funds Allocated	(14,907)	338,580 .
 <u>Matchable Revenues</u>		
Municipalities	118,585	131,866
Contributions - Net	<u>25,288</u>	<u>3,646</u>
Total Matchable Revenues (For Fiscal Year Ended June 30, 2001 and 2000	143,873	135,512
 <u>Nonmatchable Revenues</u>		
Community Support, Residential, and Acute Alternatives	144,946	139,277
Title XIX Program	7,499,573	6,338,092
Program Fees	120,318	203,445
Other Programs	613,743	605,434
Third Party Reimbursements	(39,102)	424,927
Municipalities	13,962	-
Contributions	1,074	1,680
Rental Income	164,920	191,850
Interest	<u>-</u>	<u>534</u>
Total NonMatchable Revenues	<u>8,519,434</u>	<u>7,905,239</u>
 Total Revenues (Exhibit A & B, Respectively)	\$ <u>8,648,400</u>	<u>8,379,331</u>

:SP-27S1.wk1

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

STATUS OF PRIOR AUDIT RECOMMENDATIONS - JUNE 30, 1997

Amount Due to MHRH

1. That MHRH officials recover \$4,510 from Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., in accordance with state matching regulations.

Complied.

State Matching Program

2. MHRH officials should adjust their records accordingly and not match these contributions totaling \$8,939.

Complied.

Community Support, Residential, and Acute Alternatives

3. If performance standards have, in fact, been deemed satisfactory by the department for the period under review, officials of MHRH should take into account the excess revenue of \$135,616 as available income for community support services when determining subsequent funding to Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc.

Complied.

4. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions.

Did not comply (See current year recommendation 1)

Independent Audit Reports

5. MHRH officials should ensure that all future independent audit reports will, in fact, fully disclose financial data by program with a minimum display of two years and only accept those reports that comply.

Did not comply (See current year recommendation 4)

## Representative Payee Program

6. MHRH officials should monitor and ensure compliance by the Center with Social Security Representative Payee guidelines.

Did not comply (See current year recommendation 3)

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
FISCAL YEARS ENDED JUNE 30, 1999, AND 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the center's programs for the fiscal years ended June 30, 1999, and 1998 are summarized below:

Revenue Excess (Deficiency) - Exhibits A. and B

<u>Program</u>	<u>1999</u>	<u>1998</u>
Community Support, Residential, and Acute Alternatives	\$ (26,587)	\$ (21,947)
Adult General Outpatient	73,595	(252,102)
Other Programs	<u>12,467</u>	<u>188,647</u>
Total Revenue (Deficiency)	\$ <u>59,475</u>	\$ <u>(85,402)</u>

Community Support, Residential, and Acute Alternatives

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1999 and 1998. Addendum II, Section II-4 of the financial terms and conditions states:

"An amendment to the approved budget on file with the Department and included in summary fashion as part of this contract, is required when:

- a.) There is a line item deviation of more than 10% or \$5,000, whichever is greater; ...

Spending beyond the budget without amendment will result in the disallowance of the added expenditure."



Line items in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/99</u>	<u>6/30/98</u>
Supplies	\$ 89,779	45,970
Professional Services	-	25,255
Tel./Communications	-	12,529
Utilities	-	15,196
Building Maintenance	-	32,428
Equipment Maintenance	11,123	1,514
Administrative OH Allocation	36,639	4,482
Building Space	45,998	-
Insurance	-	25,233

The Center did not submit line item budget amendment requests relating to the above line items to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period reviewed. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 1999 and 1998 and are summarized as follows:

	<u>1999</u>	<u>1998</u>
Municipal Revenues	\$ 118,585	\$ 131,866
Net - Contributions	<u>25,288</u>	<u>3,646</u>
Total Matchable Revenues	\$ <u>143,873</u>	\$ <u>135,512</u>

The above summary has been adjusted for non-matchable revenues reported as matchable revenue totaling \$15,036 and \$19,711, for fiscal years ended June 30, 1999 and 1998, respectively.

Funds received in the fiscal years ended June 30, 1999 and 1998 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2001 and 2000.

Matchable revenues reported by the center for fiscal year ended June 30, 1999 were reduced by \$15,036, comprising \$13,962 in prior year municipal write-offs and \$1,074 in employee coffee reimbursements. For fiscal year ended June 30, 1998, matchable revenues were reduced by \$19,711, comprising \$18,031 in Medicaid funds recorded as municipal revenue and \$1,680 in employee coffee reimbursements.

#### Recommendation

2. MHRH officials should adjust their records accordingly and not match this revenue totaling \$34,747.

#### Subsequent Event

On February 7, 2000 MHRH officials retroactively allowed Community Counseling Center, Inc., to transfer \$157,744 of its F/Y 1999 matchable municipal revenues to its affiliate Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., to be added to its municipal matching revenues for F/Y 1999 to be matched in F/Y 2001. The \$157,744 transfer was verified by a letter submitted by the Provider's independent auditor. These funds are to be solely used for matching purposes by MHRH and will not be a part of the financial information in this report nor will it appear in the Provider's independent audit report, according to the Provider's Finance Director. This will bring the Provider's total matchable funds for F/Y 1999 to be matched in F/Y 2001 to \$301,617 and will consist of the following matchable revenue:

Provider's own match - per Schedule of Matchable And Nonmatchable Revenues, Page 10	\$143,873
Transfer From Community Counseling Center, Inc.	<u>157,744</u>
Total Matchable	<u>\$301,617</u>

#### Other Programs

This account represents funding from sources other than MHRH-Division of Behavioral Health Services.

### Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following MHRH-Division of Behavioral Health Services contracts had revenue deficiencies (Exhibits A & B):

1999 - Community Support, Residential and Acute Alternatives	\$ (26,587)
1998 - Community Support, Residential and Acute Alternatives	\$ (21,947)
1998 - Adult General Outpatient	\$ (252,102)

### Representative Payee Program

The Center manages, under the policies of the Social Security Administration's Representative Payee Program, Social Security and SSI payments to more than 50 clients.

During the course of our review it was determined that individual client bank accounts were not in both the name of the client and the Representative Payee as required by Social Security Administration Representative Payee Program Policy 00503.010 3.1 which states:

"The Preferred Account title is (name of Beneficiary) by  
(name of Representative Payee)"

### Recommendation

3. MHRH officials should monitor and ensure compliance by the Provider with Social Security Representative Payee Policies.

### Independent Audit Reports

The Provider's independent audit reports for the fiscal years ended June 30, 1999 and 1998 had the following discrepancies:

Matchable revenues were not verified as required by Rhode Island General Laws and Departmental Matching Regulations (see following)

Adult General Outpatient revenue of \$91,799 received from MHRH was listed under the Community Support Program rather than the appropriate Adult General Outpatient Program in the June 30, 1999 independent audit report. This was adjusted in Exhibit A.

Third party reimbursements, a line item with a negative balance of \$ (39,577), does not appear in the June 30, 1999 independent audit report as it was netted out against and subsequently reduced the line item Title XIX Medicaid. This was adjusted in Exhibit A.

Rhode Island General Law 40.1-8.5-2 states:

"...for the year reviewed and the immediate preceding year, full financial disclosure of the Center's assets, liabilities, fund balances, revenues, and expenditures by program, and a verification of matchable funds for the year reviewed."

Departmental Matching Regulation 7.9.6. states:

"The Center's audit shall include a verification of matchable revenue as hereinafter defined for the year reviewed."

Provision 9 of the Community Support, Residential, and Acute Alternatives contract states in part:

"Failure to provide an acceptable year end audit Report will result in the forfeiture of the cost of the Audit. Acceptable shall mean in conformance with Department requirements."

#### Recommendation

4. MHRH officials should ensure that all future independent audit reports, verify matchable funds and apply revenue received under the appropriate programs and only accept those reports that comply.